

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7533
BILL NUMBER: SB 510

DATE PREPARED: Jan 12, 1999
BILL AMENDED:

SUBJECT: Child care tax credit for individuals.

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FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			(14,750,000)
State Expenditures			
Net Increase (Decrease)			(14,750,000)

Summary of Legislation: This bill provides a refundable child care tax credit against an individual taxpayer's state income tax liability for employment related child care expenses. The credit is equal to the lesser of \$125 per child or 3% of the taxpayer's employment related child care expenses.

Effective Date: January 1, 2000.

Explanation of State Expenditures: There will be some administrative costs for the Department of Revenue to revise tax forms, instructions and computer programs to implement this new tax credit. These expenses will come from their existing budget.

Explanation of State Revenues: This bill provides a refundable tax credit for child care expenses equal to the lesser of 3% of the taxpayer's employment related child care expenses or \$125. This tax credit may be refunded or carry forward and is in addition to any other credits that the taxpayer may be entitled. This tax credit applies to tax years beginning January 1, 2000 and will reduce individual income tax revenue by approximately \$14.75 M beginning in FY 2001.

Based on the Department of Revenue's individual income tax statistics and data from the Internal Revenue Service for Indiana 1995 federal tax returns, it is estimated that there were approximately 118,000 taxpayers

who claimed the federal child care tax credit. There is no data available on the average amount of employment related child care expenses which these taxpayers claim. Therefore the maximum potential impact of this new state child care credit would be \$125 per taxpayers. This credit for employment related child care expenses would reduce individual income tax revenue by approximately \$14.75 M annually.

Individual income tax is deposited in the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Revenue.

Local Agencies Affected:

Information Sources: The Department of Revenue; Internal Revenue Service.